

**RAILROAD COMMISSION OF TEXAS
FORMAL COMMISSION ACTION
NOVEMBER 23, 2004**

Pursuant to lawful notice, the Commission held an open meeting at 1701 N. Congress Avenue, in Room 1-111, Austin, Texas, on the 23rd day of November 2004, commencing at 9:30 a.m. Chairman Victor G. Carrillo and Commissioners Charles R. Matthews and Michael L Williams were present. Chairman Carrillo presided.

- I. The Commission convened for the purpose of conducting the monthly Oil and Gas Statewide Hearing. The Commission approved and signed the order setting the lawful market demand for the month of December 2004.
- II. The Commission began consideration of matters falling within the Railroad Commission's Gas Services regulatory jurisdiction.
 - A. In consideration of Gas Utilities Docket Nos. 9448-9512, 9520, 9521 and 9526, the Statement of Intent filed by West Texas Gas, Inc., to increase special rates in the unincorporated towns and rural areas and appeal from decisions of 24 municipalities, the Commission approved the examiners' recommendation to approve West Texas Gas' rates as requested in the Amended Statement of Intent, for bills rendered on and after November 23, 2004. Approval was recommended by Examiner Gene Montes.
- III. The Commission began consideration of matters falling within the Railroad Commission's Surface Mining regulatory jurisdiction.
 - A. In consideration of Docket No. C4-0001-SC-03-F, the Commission approved the application of TXU Mining Company LP for Phases I-III release of reclamation obligations (backfilling, regrading, drainage control, Revegetation, extended responsibility period, and remaining reclamation obligations) for 224.18 acres and application for Phase III release (extended responsibility period and remaining reclamation obligations) for 911.89 acres (revised to 808.09 acres), Big Brown Mine, Permit No. 3D, Freestone County, Texas. Approval was recommended by Examiner Marcy J. Spraggins.

- B. In consideration of Docket No. C2-0024-SC-03-B, the Commission approved the application of TXU Mining Company LP for Revision No. 11, Proposed Permanent Pond B-89 (Final Pit Impoundment), Proposed Permanent Pond WB-7 and Modifications to Permanent Ponds B-81 and B-87, Big Brown Mine, Permit No. 3D, Freestone County, Texas. Approval was recommended by Examiner Marcy J. Spraggins.
- IV. The Commission began consideration of matters falling within the Railroad Commission's Oil and Gas regulatory jurisdiction.
- A. The Commission took the following action on applications appearing on the protested docket of the Oil and Gas Division:
 - 1. In consideration of Docket No. 8A-0240292, the Commission approved the application of Occidental Permian, LTD. for enhanced recovery and project area designation for the Wasson South Clearfork Unit, Wasson 72 Field, in Gaines County, Texas. Approval was recommended by Examiner Margaret Allen.
 - 2. The Commission considered Docket No. 09-0239466, the application of Key Energy Services, Inc.-NTD to dispose of oil and gas waste by injection into a porous formation not productive of oil or gas on the Jeff Moser Lease, Well No. 1 & 2, Chico, West (Conglomerate 5700) (17634462) Field, Wise County, Texas, presented by Examiner Donna K. Chandler. The Commission heard comments from Mr. Roy Keene representing himself as a small operator in the subject field. The Commission also heard comments from Mr. John Soule, representing Key Energy Services, Inc. – NTD. On motion of Chairman Carrillo, seconded by Commissioner Williams, the Commission voted (3-0) to grant the application of Key to conduct commercial salt water disposal operations in the Jeff Moser No. 1, Chico, West (Conglomerate 5700) Field, Wise County, Texas and granted temporary authority to inject a maximum of 7,500 barrels of saltwater per day into its Jeff Moser Well No. 2 for a maximum of 120 days beginning with the date the order becomes final and only during the time period that the Jeff Moser No. 1 is shut-in for deepening operations, with the maximum surface injection pressure remaining at 1,100 psig. Further, the Commission ordered that the shallow well continue at original pressure until further review.
 - 3. In consideration of Docket Nos. 03-0238281, the enforcement action against Comet Oil & Gas for violations of Statewide Rules on the Machemehl, L.A. & A.C. Lease, Well No. 1 (Permit No. 418270) and Machemehl, L.A. & A.C. Well No. 2, (Permit No. 394141) Wildcat/Raccoon Bend (Sparta) Field, Austin County, Texas, the Commission ordered Comet to plug the wells and pay an administrative penalty in the amount of \$5,000. This action was recommended by Director of Examiner James Doherty.

4. In consideration of Docket No. 03-0238471, the enforcement action against Comet Oil & Gas for violations of statewide rules on the Machemehl, L.A. & A.C. Lease, Drill Permit No. 418267, Well No. 3, Wildcat/Raccoon Bend (Sparta) Field, Austin County, Texas, the Commission ordered Comet to plug the well and pay an administrative penalty in the amount of \$3,000. This action was recommended by Director of Examiner James Doherty.
- B. The Commission approved items on the Oil and Gas Unprotested Consent Agenda, Agreed Enforcement Orders and Master Default Orders. At the request of Commissioner Matthews, the Commission deferred consideration of Docket No. 08-0240220 on the Consent Agenda, the application of Unocal Keystone Gas Storage to be presented at a later conference.
- C. Rules Notebook: Deputy Director Polly McDonald
1. The Commission adopted amendment of 16 Tex. Admin. Code §5.301, relating to Rail Safety Program Fee.
 2. The Commission adopted amendment of 16 Tex. Admin. Code §20.5, relating to Historically Underutilized Businesses, to remove mandatory provisions for advertising HUB forums; to change the HUB subcontracting plan, and to eliminate graduation of HUBs from the HUB program.
 3. The Commission approved the repeal of 16 Tex. Admin. Code §§20.101, 20.103, 20.104, 20.105, 20.110, 20.111, 20.114, 20.115 and 20.120 relating to Charges for Commission Records; Information in an Electronic or Magnetic Medium; Request for Information That Require Programming or Manipulation of Data; Charges for Providing Copies of Public Information; Inspection of Paper Records Where Copies Are Not Requested; Inspection of Electronic Record If Copy Not Request; Information Excepted From Disclosure; Estimates and Waivers of Public Information Charges; and Charge Schedule, and new 16 Tex. Admin. Code §20.101, relating to Access to and Charges for Commission Record.
- V. The Commission began consideration of matters authorized by law including the administration, budget, procedures and personnel of the following divisions as presented by the division director or other authorized personnel.
- A. Surface Mining: Director Melvin Hodgkiss

1. The Commission considered a contract amendment to the Year 2004 AML Revegetation and Erosion Control Project extending the contract period from December 31, 2004 to December 31, 2005. On motion of Commissioner Matthews, with a second by Chairman Carrillo, the Commission voted (2-1) to approve the contract amendment. Commissioner Williams voted no.
2. The Commission considered the contingent notice of contract award to LANCO Turf and Seeding, Inc. for the Year 2005 Revegetation and Erosion Control Project. On motion of Commissioner Matthews, with a second by Chairman Carrillo, the Commission voted (2-1) to award the contract. Commissioner Williams voted no.
3. The Commission considered the contingent notice of contract award to Johnson Products of Dallas, Inc. for the Galen AML Regrade Reclamation Project. On motion of Commissioner Matthews, with a second by Chairman Carrillo, the Commission voted (2-1) to award the contract. Commissioner Williams voted no.

B. Oil and Gas: Director Rich Varela

1. The Commission granted authority to solicit bids and award an extended services contract, Requisition No. 455-5-0605, for nine wells in Chambers County, Texas for an estimated value of \$151,500.

C. General Counsel Lindil Fowler

1. The Commission received a report on the status of pending Commission rulemakings.

- VI. At 10:30 a.m., the Commission recessed until 12:00 noon at which time the Commission would reconvene for the purpose of signing a revised order.
- VII. At 12:00 noon, the Commission reconvened in Room 1-111 and signed a revised order in Docket No. 09-0239466, Key Energy Services, Inc.-NTD, presented by Examiner Donna Chandler.
- VIII. With no further business to come before the Commission, the conference was adjourned at 12:01 p.m.